

VZCZCXRO1849
RR RUEHCN RUEHGH RUEHHM
DE RUEHIN #1150/01 2652228
ZNR UUUUU ZZH
R 222228Z SEP 09
FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC 2362
INFO RUEHBJ/AMEMBASSY BEIJING 9393
RUEHHI/AMEMBASSY HANOI 0010
RUEHBK/AMEMBASSY BANGKOK 4712
RUEHGH/AMCONSUL SHANGHAI 2654
RUEHCN/AMCONSUL CHENGDU 3201
RUEHSH/AMCONSUL SHENYANG 7145
RUEHGZ/AMCONSUL GUANGZHOU 0343
RUEHHK/AMCONSUL HONG KONG 0820
RUEHHM/AMCONSUL HO CHI MINH CITY 0649

UNCLAS SECTION 01 OF 02 TAIPEI 001150

SIPDIS

SENSITIVE

BANGKOK FOR OFDA

DEPT FOR AIT/W, EAP/TC, INR/EAP

FROM AIT KAOHSIUNG BRANCH OFFICE

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [EAID](#) [EINV](#) [SENV](#) [TW](#)

SUBJECT: DIRECTOR MEETS KMT LEADERS IN KAOHSIUNG

SENSITIVE BUT UNCLASSIFIED, PLEASE PROTECT ACCORDINGLY

11. (SBU) Summary: In separate September 17 meetings in Kaohsiung with the Director, two local KMT "heavyweights" underscored the KMT's need to accelerate typhoon reconstruction and economic growth in southern Taiwan. Executive Yuan Southern Office CEO Lo Shih-hsiung praised U.S. typhoon relief assistance and asked for help on acquiring water purification equipment. City Council Speaker Chuang Chi-wong lauded President Ma's cross-Strait policies and promoted the city's development of new industries to keep young people in Kaohsiung. Lo and Chuang may find themselves competing to be the KMT's nominee in the key 2010 Kaohsiung mayoral race. At this point, both would face long odds beating the DPP's formidable lineup of potential opponents, assuming that the city's fractious deep and moderate-Green voters can stay united behind the DPP nominee until Election Day. End summary.

12. (SBU) During his September 17-18 visit to Kaohsiung, Director Stanton met separately with Executive Yuan (EY) Southern Office CEO Lo Shi-hsiung and Kaohsiung City Council Speaker Chuang Chi-wong, dined with key local business contacts, toured Kaohsiung Harbor, surveyed CSI and Megaports operations at Kaohsiung Port, and presided over the grand re-opening of the America Center at National Sun Yat-sen University. CEO Lo, a former KMT LY member who has close ties with LY Speaker Wang Jin-pyng and whose family has deep roots in Kaohsiung, is the EY's most senior representative in southern Taiwan. Speaker Chuang, who earlier this year publicly announced his intention to run for Kaohsiung Mayor, is the highest-ranking KMT elected official in Kaohsiung

CEO Lo: KMT Managing Typhoon's Political Fallout

13. (SBU) In his September 17 meeting with the Director, CEO Lo thanked the U.S. for sending heavy-lift helicopters and dispatching USAID Disaster Relief experts to facilitate post-Typhoon Morakot reconstruction efforts. Alluding to USAID Disaster Relief Officer Ron Libby's visit to southern Taiwan, Lo urged the U.S. to help Taiwan acquire water purification equipment for mountainous communities vulnerable to typhoons. He reported that most of the roads in flood-ravaged areas were repaired, except for those in heavily-damaged Taoyuan Township (in Kaohsiung County) which would take another one to two weeks. Lo expressed hope that many displaced persons would be able to return to their villages if those areas were deemed safe. Although aboriginal citizens in particular

were eager to return, Lo related, it was certain that some of their villages were no longer safe.

14. (SBU) Lo asserted that selective media coverage exacerbated local citizens' angry reaction to the government's delayed typhoon rescue efforts. Deriding the local media's penchant to sensationalize news, Lo suggested that the media tended to report on President Ma's visits to typhoon-ravaged areas only when local citizens were shouting at him. For example, Lo pointed out, the media gave lavish coverage to Honhai Chairman Terry Guo's visit last week to typhoon-affected areas but largely ignored President Ma's noncontroversial trip to flood-damaged areas at nearly the same time.

15. (SBU) Maintaining that local anger had leveled off, Lo expressed confidence that the KMT had enough time until December's local elections to recover from any typhoon-related political damage. With Kaohsiung and Tainan cities each merging with their respective surrounding counties, those elections were off the table until 2010, he explained, and the KMT hoped to run strongly in DPP-friendly Pingtung and Chiayi Counties. If the KMT lost in KMT-leaning Taitung County, he commented, it would be due to internal KMT divisions and not the typhoon. Lo lamented Premier Liu's resignation, describing Liu as hard-working but less skilled at public relations. He said that new Premier Wu was more able on both fronts, although Wu still had to clear up the brouhaha over his recent trip to Hong Kong. Lo was coy about his own political future (media reports suggest that former LY member Lo has Kaohsiung Mayoral ambitions), stating that he planned to focus on typhoon reconstruction and EY constituent services for now.

TAIPEI 00001150 002 OF 002

Speaker Chuang: Cross-strait Ties Helping City

16. (SBU) Responding to a question from Director Stanton during their September 17 meeting, KMT Kaohsiung City Council Speaker Chuang emphasized that Kaohsiung's traditional heavy industries were no longer enough to keep young people in Kaohsiung. He noted that even his own children had to move north to Hsinchu to find good jobs. The city needed to cultivate software, medical care and biotech industries to complement emerging or already-strong petrochemical, shipbuilding, export processing and fisheries industries. If Honhai Industry's big investment in Kaohsiung Software Park succeeded, Chuang explained, it would create a "cluster effect" prompting similar companies to come to Kaohsiung. Furthermore, Kaohsiung's year-round warm, sunny climate could foster niche industries such as elderly care and film-making.

17. (SBU) Chuang lauded President Ma's friendly cross-Strait economic policies, stating that direct cross-strait shipping links had boosted Kaohsiung Port's business. He called on central authorities to help the port take full advantage of direct cross-strait shipping links, stressing that the Port could be the centerpiece of a free-trade zone which would include logistics and assembly businesses. He also urged city and central authorities to adopt investment-friendly policies to encourage Taiwan businesses to return from the mainland and Vietnam. Noting Kaohsiung County's position as one of Taiwan's top agricultural producers, Chuang expressed hope that the U.S. would import more Taiwan agricultural products.

18. (SBU) Chuang voiced deep worry about Kaohsiung City's financial state and predicted a big rise in its public debt burden next year. Underscoring the city's precarious finances, he decried China Steel's efforts to ask the city to pay for big losses racked up by Kaohsiung's new metro, a huge BOT project led by China Steel. It was not surprising that Kaohsiung citizens needed time to change their commuting habits, he commented, and private investors should have planned on absorbing financial losses well into the future. Asked whether he still planned to run for Mayor in 2010, Chuang replied that the upcoming Kaohsiung City and County merger might force him to reconsider his plans, since the larger area brought in voters well beyond the borders of his political constituency in the city.

Comment

19. (SBU) Both Lo and Chuang remain interested in running for Mayor of greater Kaohsiung in 2010, although neither has a strong political base outside of Kaohsiung City. Local KMT leaders told us recently that this key race merits a "heavyweight" KMT nominee who can convince voters to look beyond the slow pace of typhoon relief efforts and focus on the prospect that Ma's economic approach offers the best chance for jumpstarting the local economy. Nevertheless, with a year to go until the election, potential DPP opponents have a strong hand. DPP Mayor Chen Chu reversed her declining poll ratings with the city's successful handling of the July 2009 World Games, and DPP Kaohsiung County Magistrate Yang Chiu-hsing is slowly regaining his customarily strong local standing after stumbling with post-typhoon recovery efforts. What DPP leaders here hope to avoid is another polarizing DPP internal struggle, with large numbers of deep-Green voters splitting off from a more moderate DPP nominee. End comment.

CASTRO

STANTON